



## **FEDERAL RESERVE SYSTEM**

### **12 CFR Chapter II**

**[Docket No. OP- 1572]**

#### **Policy on Payment System Risk**

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Policy statement.

**SUMMARY:** The Board of Governors of the Federal Reserve System (Board) has revised part II of the Federal Reserve Policy on Payment System Risk (PSR policy) related to the transaction posting times used for measuring balances intraday in institutions' accounts at the Federal Reserve Banks (Reserve Banks) to conform to amendments to regulations governing the use of the Automated Clearing House (ACH) Network by Federal agencies announced by the Department of the Treasury, Bureau of the Fiscal Service (Fiscal Service). Specifically, the amended posting rules conform to the decision of the Fiscal Service to allow Federal agencies to originate and receive same-day entries beginning September 15, 2017.

**DATES:** This policy revision is applicable beginning on September 15, 2017.

**FOR FURTHER INFORMATION CONTACT:** Jeffrey D. Walker, Assistant Director (202-721-4559), Jason Hinkle, Manager, Financial Risk Management (202-912-7805), or Ian C.B. Spear, Senior Financial Services Analyst (202/452-3959), Division of Reserve Bank Operations and Payment Systems; for users of Telecommunication Devices for the Deaf (TDD) only, contact 202/263-4869; Board of Governors of the Federal Reserve System, 20<sup>th</sup> and C Streets N.W., Washington, DC 20551.

## **SUPPLEMENTARY INFORMATION:**

### **Background**

The Board's PSR policy establishes the procedures for measuring balances intraday in institutions' accounts at the Reserve Banks by setting forth the times at which credits and debits for various types of transactions are posted to those accounts ("the posting rules").<sup>1</sup> The application of these posting rules determines an institution's intraday account balance and whether it has incurred a negative balance (daylight overdraft).

On September 23, 2015, the Board approved enhancements to the Reserve Banks' FedACH<sup>®</sup> SameDay Service (FedACH SameDay Service) in light of amendments to NACHA – The Electronic Payments Association's Operating Rules and Guidelines.<sup>2</sup> The NACHA amendments, as incorporated into Operating Circular 4, become effective in three phases, beginning with same-day credits in September 2016, same-day debits in September 2017, and faster funds availability in March 2018. Next-day settlement remains available.

The Board is revising the PSR policy's posting rules for same-day ACH transactions to conform to amendments to 31 CFR part 210 (part 210) announced on

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<sup>1</sup> The Board's PSR policy is available at [https://www.federalreserve.gov/paymentsystems/files/psr\\_policy.pdf](https://www.federalreserve.gov/paymentsystems/files/psr_policy.pdf).

<sup>2</sup> 80 FR 58248 (Sep. 28, 2015). NACHA, whose membership consists of insured financial institutions and regional payment associations, establishes network-wide ACH rules through its Operating Rules and Guidelines. As an ACH operator, the Reserve Banks, through Operating Circular 4, incorporate NACHA's Operating Rules and Guidelines as rules that govern clearing and settlement of commercial ACH items by the Reserve Banks, except for those provisions specifically excluded in the Operating Circular.

September 11, 2017 by Fiscal Service.<sup>3</sup> Specifically, the amended posting rules conform to the decision of the Fiscal Service to allow Federal agencies to originate and receive same-day entries beginning September 15, 2017.<sup>4</sup>

### **Policy on Payment System Risk**

The Federal Reserve Policy on Payment System Risk, section II.A, under the heading “Procedures for Measuring Daylight Overdrafts” and the subheadings “Post at 8:30 a.m. eastern time,” “Post by 1:00 p.m. eastern time,” “Post at 5:00 p.m. eastern time,” and “Post at 5:30 p.m. eastern time,” is amended as follows:

Post at 8:30 a.m. eastern time:

- +/- Term deposit maturities and accrued interest
- +/- Government and commercial ACH transactions, including return items<sup>5</sup>

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<sup>3</sup> The Fiscal Service amended part 210 to address changes to the NACHA Operating Rules, including NACHA’s same-day amendments. *See* 82 FR 42597 (Sep. 11, 2017). Part 210 governs the use of ACH by Federal agencies and incorporates the NACHA Operating Rules, with certain exceptions.

<sup>4</sup> 31 CFR 210.2(d)(7) (as amended Sept. 11, 2017).

<sup>5</sup> With the exception of paper returns and paper notifications of change of prior-dated items that only post at 5:00 p.m.; and paper returns of same-day forward items that only post at 5:30 p.m.

Institutions that are monitored in real time must fund the total amount of their commercial ACH credit originations in order for the transactions to be processed. If the Federal Reserve receives commercial ACH credit transactions from institutions monitored in real time after the scheduled close of the Fedwire Funds Service, these transactions will be processed at 12:30 a.m. the next business day, or by the ACH deposit deadline, whichever is earlier. The Account Balance Monitoring System provides intraday account information to the Reserve Banks and institutions and is used primarily to give authorized Reserve Bank personnel a mechanism to control and monitor account activity for selected institutions. For more information on ACH transaction processing, refer to the ACH Settlement Day Finality Guide available through the Federal Reserve Financial Services website at <http://www.frb services.org>.

- +/- Commercial check transactions, including returned checks<sup>6</sup>
- + Treasury checks, postal money orders, local Federal Reserve Bank checks, and savings bond redemptions in separately sorted deposits; these items must be deposited by the latest applicable deposit deadline preceding the posting time
- + Advance-notice Treasury investments
- Penalty assessments for tax payments from the Treasury Investment Program (TIP).<sup>7</sup>

Post by 1:00 p.m. eastern time:

- +/- Commercial check transactions, including returned checks
- +/- Government and commercial FedACH SameDay Service transactions, including return items<sup>8</sup>
- + Same-day Treasury investments.

Post at 5:00 p.m. eastern time:

- +/- Government and commercial FedACH SameDay Service transactions, including return items<sup>9</sup>
- + Treasury checks, postal money orders, and savings bond redemptions in separately sorted deposits; these items must be deposited by the latest applicable deposit deadline preceding the posting time
- + Local Federal Reserve Bank checks; these items must be presented before 3:00 p.m. eastern time

Post at 5:30 p.m. eastern time:

- +/- Government and commercial FedACH SameDay Service return

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<sup>6</sup> For the three commercial check transaction posting times, the Reserve Banks will post credits and debits to institutions' accounts for checks deposited and presented, respectively, at least 30 minutes before the posting time.

<sup>7</sup> The Reserve Banks will identify and notify institutions with Treasury-authorized penalties on Thursdays. In the event that Thursday is a holiday, the Reserve Banks will identify and notify institutions with Treasury-authorized penalties on the following business day. Penalties will then be posted on the business day following notification.

<sup>8</sup> With the exception of paper returns and paper notifications of change (NOCs) of prior-dated items that only post at 5:00 p.m.; paper returns of same-day forward items that only post at 5:30 p.m.; and FedLine Web returns and FedLine Web NOCs that only post at 8:30 a.m. and 5:00 p.m., depending on when the item is received by Reserve Banks.

<sup>9</sup> With the exception of paper returns of same-day forward items that only post at 5:30 p.m.

transactions<sup>10</sup>

+/- Commercial check transactions, including returned checks

**By order of the Board of Governors of the Federal Reserve System, acting through the Director of the Division of Reserve Bank Operations and Payment Systems under delegated authority, October 3, 2017.**

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**Ann E. Misback,**  
*Secretary of the Board.*

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<sup>10</sup> With the exception of paper returns and paper notifications of change (NOCs) of prior-dated items that only post at 5:00 p.m.; and FedLine Web returns and FedLine Web NOCs that only post at 8:30 a.m. and 5:00 p.m., depending on when the item is received by Reserve Banks.

